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SENATE BILL 238

46TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2003

INTRODUCED BY

Manny M. Aragon

AN ACT

RELATING TO TAXATION; REDUCING INCOME TAX RATES; EXPANDING THE
CAPITAL GAINS DEDUCTION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 7-2-7 NMSA 1978 (being Laws 1994,
Chapter 5, Section 20, as amended) is amended to read:

"7-2-7. INDIVIDUAL INCOME TAX RATES. --The tax imposed by
Section 7-2-3 NMSA 1978 shall be at the following rates for any
taxable year beginning [~~on or after January 1, 1998~~] in 2003:

A. For married individuals filing separate returns:

If the taxable income is:	The tax shall be:
Not over \$4,000	1.7% of taxable income
Over \$ 4,000 but not over \$ 8,000	\$ 68.00 plus 3.2% of excess over \$ 4,000
Over \$ 8,000 but not over \$ 12,000	\$ 196 plus 4.7% of

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1 excess over \$ 8,000
2 Over \$ 12,000 but not over \$ 20,000 \$ 384 plus 6.0% of excess
3 over \$ 12,000
4 Over \$ 20,000 but not over \$ 32,000 \$ 864 plus 7.1% of excess
5 over \$ 20,000
6 Over \$ 32,000 [~~but not over \$ 50,000~~] \$ 1,716 plus [~~7.9%~~] 7.7% of
7 excess over \$ 32,000
8 [~~Over \$ 50,000~~] ~~\$ 3,138 plus 8.2% of~~
9 ~~excess over \$ 50,000~~].

10 B. For surviving spouses and married individuals
11 filing joint returns:

12 If the taxable income is:	The tax shall be:
13 Not over \$8,000	1.7% of taxable income
14 Over \$ 8,000 but not over \$ 16,000	\$ 136 plus 3.2% of
15	excess over \$ 8,000
16 Over \$ 16,000 but not over \$ 24,000	\$ 392 plus 4.7% of
17	excess over \$ 16,000
18 Over \$ 24,000 but not over \$ 40,000	\$ 768 plus 6.0% of
19	excess over \$ 24,000
20 Over \$ 40,000 but not over \$ 64,000	\$ 1,728 plus 7.1% of
21	excess over \$ 40,000
22 Over \$ 64,000 [but not over \$100,000] \$ 3,432 plus [7.9%] <u>7.7%</u> of	
23	excess over \$ 64,000
24 [Over \$100,000] \$ 6,276 plus 8.2% of	
25	excess over \$100,000].

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1 C. For single individuals and for estates and trusts:

2	If the taxable income is:	The tax shall be:
3	Not over \$5,500	1.7% of taxable income
4	Over \$ 5,500 but not over \$ 11,000	\$ 93.50 plus 3.2% of
5		excess over \$ 5,500
6	Over \$ 11,000 but not over \$ 16,000	\$ 269.50 plus 4.7% of
7		excess over \$ 11,000
8	Over \$ 16,000 but not over \$ 26,000	\$ 504.50 plus 6.0% of
9		excess over \$ 16,000
10	Over \$ 26,000 but not over \$ 42,000	\$1,104.50 plus 7.1% of
11		excess over \$ 26,000
12	Over \$ 42,000 [but not over \$ 65,000]	\$2,240.50 plus [7.9%] <u>7.7%</u> of
13		excess over \$ 42,000
14	[Over \$ 65,000	\$4,057.50 plus 8.2% of
15		excess over \$ 65,000].

16 D. For heads of household filing returns:

17	If the taxable income is:	The tax shall be:
18	Not over \$7,000	1.7% of taxable income
19	Over \$ 7,000 but not over \$ 14,000	\$ 119 plus 3.2% of
20		excess over \$ 7,000
21	Over \$ 14,000 but not over \$ 20,000	\$ 343 plus 4.7% of
22		excess over \$ 14,000
23	Over \$ 20,000 but not over \$ 33,000	\$ 625 plus 6.0% of
24		excess over \$ 20,000
25	Over \$ 33,000 but not over \$ 53,000	\$1,405 plus 7.1% of

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1 excess over \$ 33,000
2 Over \$ 53,000 [~~but not over \$ 83,000~~] \$2,825 plus [~~7.9%~~] 7.7% of
3 excess over \$ 53,000
4 [~~Over \$ 83,000~~ ~~-----~~ ~~\$5,195 plus 8.2% of~~
5 ~~excess over \$ 83,000~~].

6 E. The tax on the sum of any lump-sum amounts
7 included in net income is an amount equal to five multiplied by
8 the difference between:

- 9 (1) the amount of tax due on the taxpayer's
10 taxable income; and
- 11 (2) the amount of tax that would be due on an
12 amount equal to the taxpayer's taxable income and twenty
13 percent of the taxpayer's lump-sum amounts included in net
14 income. "

15 Section 2. Section 7-2-7 NMSA 1978 (being Laws 1994,
16 Chapter 5, Section 20, as amended and as further amended by
17 Section 1 of this act) is repealed and a new Section 7-2-7 NMSA
18 1978 is enacted to read:

19 "7-2-7. [NEW MATERIAL] INDIVIDUAL INCOME TAX RATES. -- The
20 tax imposed by Section 7-2-3 NMSA 1978 shall be at the
21 following rates for any taxable year beginning on or after
22 January 1, 2004:

23	A. For married individuals filing separate returns:	
24	If the taxable income is:	The tax shall be:
25	Not over \$7,500	1.7% of taxable income

1 Over \$ 7,500 but not over \$ 12,000 \$ 127.50 plus 3.2% of
2 excess over \$ 7,500
3 Over \$ 12,000 but not over \$ 22,500 \$ 271.50 plus 4.7% of
4 excess over \$ 12,000
5 Over \$ 22,500 \$ 765 plus 5.5% of
6 excess over \$ 22,500.

7 B. For surviving spouses and married individuals
8 filing joint returns:

9 If the taxable income is: The tax shall be:
10 Not over \$15,000 1.7% of taxable income
11 Over \$ 15,000 but not over \$ 24,000 \$ 255 plus 3.2% of
12 excess over \$ 15,000
13 Over \$ 24,000 but not over \$ 45,000 \$ 543 plus 4.7% of
14 excess over \$ 24,000
15 Over \$ 45,000 \$ 1,530 plus 5.5% of
16 excess over \$ 45,000.

17 C. For single individuals and for estates and
18 trusts:

19 If the taxable income is: The tax shall be:
20 Not over \$10,000 1.7% of taxable income
21 Over \$ 10,000 but not over \$ 16,000 \$ 170 plus 3.2% of
22 excess over \$ 10,000
23 Over \$ 16,000 but not over \$ 30,000 \$ 362 plus 4.7% of
24 excess over \$ 16,000
25 Over \$ 30,000 \$ 1,020 plus 5.5% of

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1 excess over \$ 30,000.

2 D. For heads of household filing returns:

3 If the taxable income is: The tax shall be:

4 Not over \$12,500	1.7% of taxable income
5 Over \$ 12,500 but not over \$ 20,000	\$ 212.50 plus 3.2% of
6	excess over \$ 12,500
7 Over \$ 20,000 but not over \$ 37,500	\$ 452.50 plus 4.7% of
8	excess over \$ 20,000
9 Over \$ 37,500	\$ 1,275 plus 5.5% of
10	excess over \$ 37,500.

11 E. The tax on the sum of any lump-sum amounts
12 included in net income is an amount equal to five multiplied
13 by the difference between:

14 (1) the amount of tax due on the taxpayer's
15 taxable income; and

16 (2) the amount of tax that would be due on
17 an amount equal to the taxpayer's taxable income and twenty
18 percent of the taxpayer's lump-sum amounts included in net
19 income."

20 Section 3. Section 7-2-34 NMSA 1978 (being Laws 1999,
21 Chapter 205, Section 1) is amended to read:

22 "7-2-34. DEDUCTION--NET CAPITAL GAIN INCOME.--

23 A. Except as provided in Subsection [B] C of this
24 section, a taxpayer may claim a deduction from net income in
25 an amount equal to the greater of:

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1 (1) the taxpayer's net capital gain income
2 for the taxable year for which the deduction is being
3 claimed, but not to exceed one thousand dollars (\$1,000); or

4 (2) the following percentage of the
5 taxpayer's net capital gain income for the taxable year for
6 which the deduction is being claimed:

7 (a) for a taxable year beginning in
8 2003, ten percent;

9 (b) for a taxable year beginning in
10 2004, twenty percent;

11 (c) for a taxable year beginning in
12 2005, thirty percent; and

13 (d) for taxable years beginning on or
14 after January 1, 2006, fifty percent.

15 B. A husband and wife who file separate returns
16 for a taxable year in which they could have filed a joint
17 return may each claim only one-half of the deduction provided
18 by this section that would have been allowed on the joint
19 return.

20 ~~[B.]~~ C. A taxpayer may not claim the deduction
21 provided in Subsection A of this section if the taxpayer has
22 claimed the credit provided in Section 7-2D-8.1 NMSA 1978.

23 ~~[C.]~~ D. As used in this section, "net capital
24 gain" means "net capital gain" as defined in Section 1222
25 (11) of the Internal Revenue Code. "

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